

# AR01



## DIRECTORS

JOEL W. ALDRED  
RAYMOND CRÉPAULT, Q.C.  
SIR FRANCIS DE GUINGAND,  
K.B.E., C.B., D.S.O.  
JOHN H. DEVLIN  
ROBERT H. HAWKES, Q.C.  
MURRAY B. KOFFLER  
JOHN C. LOCKWOOD  
GEORGE B. MCKEEN  
FREDERICK L. PATTERSON  
RENAULT ST-LAURENT, Q.C., LL.D.  
JOHN E. SHAFFNER  
WILMAT TENNYSON

## OFFICERS

*Chairman of the Board*  
JOHN H. DEVLIN  
*President*  
ROBERT H. HAWKES, Q.C.  
*Vice President Marketing*  
ROY H. NEWTON  
*Vice President Finance*  
JACQUES LAVERDIÈRE  
*Vice President Production*  
CAMILLE DENIS  
*Vice President and General Counsel*  
C. PAUL YOUNG  
*Vice President Special Projects*  
ROBERT T. LLOYD  
*Secretary*  
COLIN C. HENDERSON  
*Treasurer*  
HUGH R. SAMPSON, C.A.



---

**ROTHMANS OF PALL MALL CANADA LIMITED**

---

## REPORT TO SHAREHOLDERS

**ROTHMANS OF PALL MALL CANADA LIMITED**

FOR THE SIX MONTHS ENDED DECEMBER 31, 1972

# ROTHMANS OF PALL MALL CANADA LIMITED

## AND SUBSIDIARY COMPANIES

### *Consolidated Statement of Earnings*

(Unaudited)  
(in thousands of dollars)

	Six Months Ended December 31					
	1972			1971		
	Tobacco (Note 1)	Brewing	Total	Tobacco	Brewing	Total
Income:						
Sales.....	\$138,791	\$212,799	\$351,590	\$127,339	\$211,360	\$338,699
Excise and sales taxes.....	84,253	77,343	161,596	78,089	77,602	155,691
	54,538	135,456	189,994	49,250	133,758	183,008
Investment and other income.....	—	1,790	1,790	—	2,531	2,531
	54,538	137,246	191,784	49,250	136,289	185,539
Costs.....	44,792	131,979	176,771	40,414	126,329	166,743
Earnings before income taxes, minority interest and extraordinary items	9,746	5,267	15,013	8,836	9,960	18,796
Income taxes.....	4,665	1,963	6,628	4,356	4,548	8,904
	5,081	3,304	8,385	4,480	5,412	9,892
Minority interest in consolidated earnings of subsidiary companies..	—	2,263	2,263	—	3,244	3,244
Earnings before extraordinary items	5,081	1,041	6,122	4,480	2,168	6,648
Extraordinary items, less related income taxes and minority interest..	—	1,980	1,980	—	(107)	(107)
Earnings.....	\$ 5,081	\$ 3,021	8,102	\$ 4,480	\$ 2,061	6,541
Preferred share dividends.....			3,842			3,846
Earnings available for Common shares			\$ 4,260			\$ 2,695
Earnings per Common share:						
Before extraordinary items.....			\$ 1.42			\$ 1.75
After extraordinary items.....			\$ 2.66			\$ 1.68
Fully diluted.....			\$ 1.14			\$ 0.90

NOTES: 1. The method of recording depreciation on tobacco plant and equipment was changed, effective July 1, 1972, from a diminishing balance basis to a straight-line basis in order to write off the cost of these assets evenly over their estimated service lives. Also, certain administrative costs which were previously included in manufacturing costs and inventories are now being written off as incurred. The net result of these changes had no material effect on earnings for the six months ended December 31, 1972.

2. Certain 1971 figures in the statements of earnings and changes in working capital have been restated to conform with the Company's current financial statement presentation.

ROTHMANS OF PALL MALL CANADA LIMITED  
AND SUBSIDIARY COMPANIES

*Consolidated Statement of Changes in Working Capital*

(Unaudited)  
(in thousands of dollars)

	Six Months Ended December 31	
	1972	1971
Working capital was increased by:		
Earnings.....	\$ 8,102	\$ 6,541
Depreciation.....	5,969	5,612
Minority interest in consolidated earnings of subsidiary companies.....	4,232	3,136
Deferred income taxes and other non-cash items.....	(2,964)	848
Funds from operations.....	15,339	16,137
Proceeds on disposal of sundry properties and property, plant and equipment	8,058	2,716
Reduction of investment in associated companies.....	7	7,599
Reduction of mortgages and other assets.....	—	6,511
	<u>23,404</u>	<u>32,963</u>
Working capital was decreased by:		
Property, plant and equipment additions.....	9,069	9,947
Purchase of subsidiary companies for \$14,149 cash, less working capital at acquisition \$2,016.....	—	12,133
Increase in mortgages and other assets.....	6,223	—
Retirement of long term debt.....	3,087	3,785
Dividends on Preferred shares.....	3,811	3,831
Dividends paid by Canadian Breweries Limited and subsidiary company to minority shareholders.....	2,329	3,256
Redemption of First Preferred shares.....	—	539
Other.....	106	152
	<u>24,625</u>	<u>33,643</u>
Decrease in working capital.....	(1,221)	(680)
Working capital at beginning of period.....	77,142	92,340
Working capital at end of period.....	<u>\$75,921</u>	<u>\$91,660</u>







## To Our Shareholders:

Consolidated earnings for the six months, before extraordinary items, were \$6,122,000 compared to \$6,648,000 in 1971. After providing for Preferred share dividends, earnings decreased from \$1.75 per Common share in 1971 to \$1.42 in 1972. Including extraordinary items, earnings available to Common shareholders increased to \$4,260,000 from \$2,695,000 in 1971 (\$2.66 per share compared to \$1.68 in 1971).

Tobacco earnings continued to improve but were more than offset by lower operating results from Canadian Breweries Limited.

Consolidated sales were \$351,590,000 compared to \$338,699,000 in 1971, an increase of \$12,891,000. Tobacco sales increased by \$11,452,000 and Canadian Breweries Limited sales increased by \$1,439,000.

Consolidated working capital at December 31, 1972 amounted to \$75,921,000 compared to \$77,142,000 at June 30, 1972.

### TOBACCO OPERATIONS

Earnings before income taxes for the six months were \$9,746,000 compared to \$8,836,000 in 1971, an increase of 10.3 percent.

Sales revenue for the period increased by 9.0 percent; from \$127,339,000 in 1971 to \$138,791,000 in 1972. The increase was primarily attributable to higher cigarette sales and the price increase effective November 27, 1972. The Company's unit cigarette sales for the six months increased by 533 million or 7.7 percent (7,449 million compared to 6,916 million in 1971).

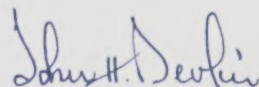
Industry cigarette sales, as reported by Statistics Canada, increased by 3.3 percent during the same period; from 27,654 million in 1971 to 28,570 million in 1972. Rothmans sales increase represented more than 50 percent of the industry gain.

As reported earlier, the 1972 Ontario tobacco auctions are in progress. Due to serious frost damage, the size of the crop is substantially less than in 1971. Average prices paid to date are significantly higher than last year.

### BREWING OPERATIONS

Excluding extraordinary items, earnings per Common share of Canadian Breweries Limited for the six-month period were 9.5 cents compared to 19.9 cents in 1971. Including extraordinary items (arising mainly from the sale of surplus land), earnings per Common share increased from 18.9 cents in 1971 to 27.7 cents in 1972. The decrease in operating earnings occurred primarily in United States brewing operations, mainly as a result of increased costs of production and the initial introductory marketing costs for Tuborg. Total Canadian sales were higher than in 1971, primarily due to the inclusion of new subsidiaries. Sales in the Republic of Ireland continued to grow.

A copy of the Canadian Breweries Limited report for the period ended December 31, 1972 is enclosed for your information.



*Chairman of the Board*

February 15, 1973

ROTHMANS OF PALL MALL CANADA LIMITED  
AND SUBSIDIARY COMPANIES

*Consolidated Statement of Earnings*

(Unaudited)  
(in thousands of dollars)

	Six Months Ended December 31					
	1972			1971		
	Tobacco (Note 1)	Brewing	Total	Tobacco	Brewing	Total
Income:						
Sales.....	\$138,791	\$212,799	\$351,590	\$127,339	\$211,360	\$338,699
Excise and sales taxes.....	84,253	77,343	161,596	78,089	77,602	155,691
	54,538	135,456	189,994	49,250	133,758	183,008
Investment and other income.....	—	1,790	1,790	—	2,531	2,531
	54,538	137,246	191,784	49,250	136,289	185,539
Costs.....	44,792	131,979	176,771	40,414	126,329	166,743
Earnings before income taxes, minority interest and extraordinary items	9,746	5,267	15,013	8,836	9,960	18,796
Income taxes.....	4,665	1,963	6,628	4,356	4,548	8,904
	5,081	3,304	8,385	4,480	5,412	9,892
Minority interest in consolidated earnings of subsidiary companies..	—	2,263	2,263	—	3,244	3,244
Earnings before extraordinary items	5,081	1,041	6,122	4,480	2,168	6,648
Extraordinary items, less related income taxes and minority interest..	—	1,980	1,980	—	(107)	(107)
Earnings.....	<u>\$ 5,081</u>	<u>\$ 3,021</u>	8,102	<u>\$ 4,480</u>	<u>\$ 2,061</u>	6,541
Preferred share dividends.....			3,842			3,846
Earnings available for Common shares			<u>\$ 4,260</u>			<u>\$ 2,695</u>
Earnings per Common share:						
Before extraordinary items.....			\$ 1.42			\$ 1.75
After extraordinary items.....			<u>\$ 2.66</u>			<u>\$ 1.68</u>
Fully diluted.....			<u>\$ 1.14</u>			<u>\$ 0.90</u>

NOTES: 1. The method of recording depreciation on tobacco plant and equipment was changed, effective July 1, 1972, from a diminishing balance basis to a straight-line basis in order to write off the cost of these assets evenly over their estimated service lives. Also, certain administrative costs which were previously included in manufacturing costs and inventories are now being written off as incurred. The net result of these changes had no material effect on earnings for the six months ended December 31, 1972.

2. Certain 1971 figures in the statements of earnings and changes in working capital have been restated to conform with the Company's current financial statement presentation.



ROTHMANS OF PALL MALL CANADA LIMITED  
AND SUBSIDIARY COMPANIES

*Consolidated Statement of Changes in Working Capital*

(Unaudited)

(in thousands of dollars)

	Six Months Ended December 31	
	1972	1971
Working capital was increased by:		
Earnings.....	\$ 8,102	\$ 6,541
Depreciation.....	5,969	5,612
Minority interest in consolidated earnings of subsidiary companies.....	4,232	3,136
Deferred income taxes and other non-cash items.....	(2,964)	848
Funds from operations.....	15,339	16,137
Proceeds on disposal of sundry properties and property, plant and equipment	8,058	2,716
Reduction of investment in associated companies.....	7	7,599
Reduction of mortgages and other assets.....	—	6,511
	<u>23,404</u>	<u>32,963</u>
Working capital was decreased by:		
Property, plant and equipment additions.....	9,069	9,947
Purchase of subsidiary companies for \$14,149 cash, less working capital at acquisition \$2,016.....	—	12,133
Increase in mortgages and other assets.....	6,223	—
Retirement of long term debt.....	3,087	3,785
Dividends on Preferred shares.....	3,811	3,831
Dividends paid by Canadian Breweries Limited and subsidiary company to minority shareholders.....	2,329	3,256
Redemption of First Preferred shares.....	—	539
Other.....	106	152
	<u>24,625</u>	<u>33,643</u>
Decrease in working capital.....	(1,221)	(680)
Working capital at beginning of period.....	77,142	92,340
Working capital at end of period.....	<u>\$75,921</u>	<u>\$91,660</u>



## DIRECTORS

JOEL W. ALDRED  
RAYMOND CRÉPAULT, Q.C.  
SIR FRANCIS DE GUINGAND,  
K.B.E., C.B., D.S.O.  
JOHN H. DEVLIN  
ROBERT H. HAWKES, Q.C.  
MURRAY B. KOFFLER  
JOHN C. LOCKWOOD  
GEORGE B. MCKEEN  
FREDERICK L. PATTERSON  
RENAULT ST-LAURENT, Q.C., LL.D.  
JOHN E. SHAFFNER  
WILMAT TENNYSON

## OFFICERS

*Chairman of the Board*  
JOHN H. DEVLIN  
*President*  
ROBERT H. HAWKES, Q.C.  
*Vice President Marketing*  
ROY H. NEWTON  
*Vice President Finance*  
JACQUES LAVERDIÈRE  
*Vice President Production*  
CAMILLE DENIS  
*Vice President and General Counsel*  
C. PAUL YOUNG  
*Vice President Special Projects*  
ROBERT T. LLOYD  
*Secretary*  
COLIN C. HENDERSON  
*Treasurer*  
HUGH R. SAMPSON, C.A.



---

## ROTHMANS OF PALL MALL CANADA LIMITED

---

## REPORT TO SHAREHOLDERS